




KAM-KOTIA MINES LIMITED
annual report 1967



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KAM-KOTIA MINES LIMITED

DIRECTORS

A. W. WHITE - - - - - Toronto, Ontario
D. F. BURT - - - - - Toronto, Ontario
G. W. WALKEY - - - - - Timmins, Ontario
A. W. McDONALD - - - - - Maitland, Ontario
J. D. BARRINGTON - - - - - Toronto, Ontario
J. J. WHITE - - - - - Burlington, Ontario
J. GEDDES - - - - - Clarkson, Ontario

OFFICERS

A. W. WHITE - - - - - President
D. F. BURT - - - - - Vice-President
H. R. HEARD - - - - - Secretary-Treasurer
J. GEDDES - - - - - Assistant Secretary
L. V. BARBISAN - - - - - Assistant Treasurer
G. W. WALKEY - - - - - General Manager

COBALT REFINERY DIVISION

Manager

Refinery Office Address

J. N. CRAM
R.R. #1, Cobalt, Ontario

WESTERN DIVISION

Mine Manager

Mine Office Address

J. C. BLACK
New Denver, British Columbia

TRANSFER AGENTS AND REGISTRARS

The Sterling Trusts Corporation - - Toronto, Ontario
Canadian Bank of Commerce
Trust Company - - - - - New York, N.Y.

STOCK LISTED

Toronto and Canadian Stock Exchanges

SOLICITORS

Burt, Burt, Wolfe & Bowman - - Toronto, Ontario

AUDITORS

Thorne, Gunn, Helliwell & Christenson - Toronto, Ontario

BANKERS

Canadian Imperial Bank of Commerce

HEAD OFFICE

25 Adelaide St. West, Suite 416 - Toronto, Ontario

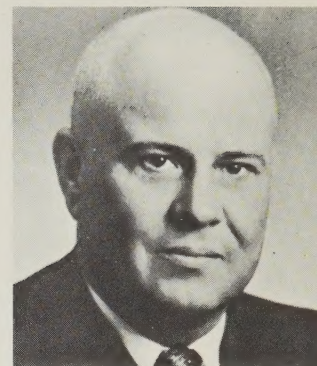
TIMMINS OFFICE ADDRESS

Box 290, Timmins, Ontario

ANNUAL MEETING

Thursday, May 23, 1968 at 2:30 p.m. (Toronto Time),
Tudor Room, Royal York Hotel, Toronto, Ontario.

KAM-KOTIA MINES LIMITED



ARTHUR W. WHITE

President's Report to the Shareholders

The net income earned in 1967 was \$1,213,886 or 29 cents per share, compared with \$1,965,371 or 46 cents per share in 1966. Metal recoveries increased to \$9,158,519 from \$7,768,986. Production was 14,849,538 pounds of copper and 11,377,116 pounds of zinc from 679,677 tons of ore milled, averaging 1.36% copper and 1.77% zinc.

After completion of the shaft deepening early in 1967, heavy costs were incurred in development of the newly opened 6th, 7th, 8th, and 9th levels. This work restricted mining operations to a certain extent, therefore, it was necessary to draw a substantial portion of ore from the low grade surface stockpile to provide sufficient material for milling throughout most of the year. By October however, underground production was in balance with milling.

Alterations to the crushing plant and hoist were made, and additional electric power was supplied to operate the new equipment. More complete details of operations, developments,

and plant changes and additions are set out in the report by Mr. Graham Walkey, General Manager.

COBALT REFINERY DIVISION

Notable improvement in the affairs of the Cobalt Refinery Division took place during 1967. The sharp rise in the price of silver after May, and the reduction in silver refining capacity in the United States due to strikes, created an increase in feed for the Refinery and contributed towards the net profit earned by the Division for the year.

JAMELAND MINES LIMITED

We refer you to the comprehensive statement in Mr. Walkey's report of progress at the Jameland property. It is anticipated that production will start there in the latter part of 1969. By December 31, 1967 Jameland had spent \$443,000 on exploration and development. It is estimated that further expenditures totalling \$2,000,000 will be required before production commences.

Kam-Kotia now owns 680,000 shares of Jameland which represents a 25% interest in that company.

WESTERN OPERATIONS

The company's principal activity in Western Canada during 1967 has consisted of supervision of and participation in work on the property owned by Silmonac Mines Limited in which Kam-Kotia holds a 22½% interest. Underground exploration has indicated a small orebody of good grade. Work was discontinued in the latter part of the year due to the need for additional funds to pay for further exploration and development to production. Silmonac's requirements are being reviewed, and consideration as to the most advantageous form of financing is being given.

SUMMARY

Copper prices are expected to continue at current levels throughout a substantial part of 1968. Even after settlement of the strikes in the United States' mining industry, several months will elapse before inventories reach levels that can be considered adequate.

On behalf of the directors and shareholders I wish to extend our appreciation to the employees and officers of the company for their effective work and loyal support during the year. The development of the Kam-Kotia mine and the Jameland property to their present stages have been accomplished only through very heavy work programs and the assumption of much additional responsibility by several members of the Kam-Kotia staff. In recognition thereof, on September 11, 1967, your directors were pleased to approve the granting of options to certain employees to purchase a total of 42,500 shares in the capital of the company at \$3.00 per share on or before December 27, 1968.

Respectfully submitted on behalf of the Board.

A. W. WHITE,
President.

Toronto, Ontario,
March 18, 1968.

KAM-KOTIA

(Incorporated under the laws of Ontario)
and its consolidated subsidiaries

Consolidated Balance Sheet

(with comparative figures for 1966)

ASSETS

Current Assets	1967	1966
Cash	\$ 155,887	\$ 51,256
Metal settlements outstanding, concentrates on hand and products in process at net realizable value (note 2)		
Copper and zinc	2,362,290	2,830,664
Silver and other refinery products	3,290,702	2,061,994
Custom milling charges receivable		221,439
Other accounts receivable and accrued interest	180,974	219,513
	<u>5,989,853</u>	<u>5,384,866</u>
Investments in Other Companies		
471,009 shares Dickenson Mines Limited at cost (quoted market value, 1967 — \$1,530,779; 1966 — \$1,507,229)	1,504,633	1,504,633
Other listed shares at cost (quoted market value, 1967 — \$336,529; 1966 — \$343,738)	462,182	439,948
Interest in non-consolidated subsidiary companies at cost less amounts written off and allowance for decline in value (note 1)	112,180	91,541
680,000 (1966 — 400,000) shares Jameland Mines Limited, at cost	299,837	100,000
Other shares, bonds, advances and participations at cost less amounts written off and allowance for decline in value	638,863	434,190
	<u>3,017,695</u>	<u>2,570,312</u>
Fixed Assets		
Buildings, machinery and equipment at cost	6,055,403	5,221,649
Less accumulated depreciation	3,532,657	2,858,187
	<u>2,522,746</u>	<u>2,363,462</u>
Mining properties at cost	667,505	667,505
Land at cost	7,555	7,655
	<u>3,197,806</u>	<u>3,038,622</u>
Other Assets and Deferred Charges		
Supplies at average cost	356,087	331,376
Prepaid expenses and deposits	244,847	239,022
Special refundable tax	92,299	83,000
Shaft sinking and development expenditures, less amortization	525,766	830,556
Interest in and expenditures deferred on outside mining claims		12,961
	<u>1,218,999</u>	<u>1,496,915</u>
	<u>\$13,424,353</u>	<u>\$12,490,715</u>

To the Shareholders of
Kam-Kotia Mines Limited

We have examined the consolidated balance sheet of Kam-Kotia Mines Limited and its consolidated subsidiary companies as at December 31, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
February 21, 1968

AUDITORS



MINES LIMITED

(Incorporated in the Province of Ontario)

Subsidiary companies

December 31, 1967

(Consolidated balance sheet as at December 31, 1966)

LIABILITIES

Current Liabilities

	1967	1966
Bank loans, secured (note 3)	\$ 1,543,000	\$ 602,270
Refinery settlements payable to shippers of concentrates and metallics	1,272,827	971,574
Smelter settlements payable to shipper of custom ore		859,115
Other accounts payable and accrued liabilities	569,797	609,280
Taxes payable	770,027	544,160
	<u>4,155,651</u>	<u>3,586,399</u>

Shareholders' Equity

Capital Stock (note 4)		
Authorized — 5,000,000 shares of \$1 each		
Issued — 4,247,500 shares	4,247,500	4,247,500
Deduct discount less premium	432,680	432,680
	<u>3,814,820</u>	<u>3,814,820</u>
Retained earnings	5,453,882	5,089,496
	<u>9,268,702</u>	<u>8,904,316</u>

Approved on behalf of the Board:

A. W. WHITE, Director.

JAMES GEDDES, Director.

\$13,424,353

\$12,490,715

PORT

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON

Chartered Accountants

KAM-KOTIA MINES LIMITED

and its consolidated subsidiary companies

Consolidated Statement of Income

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Revenue		
Metal recovery, gross value	\$9,158,519	\$7,768,986
Deduct transportation and treatment costs	<u>2,560,056</u>	<u>2,012,889</u>
	\$6,598,463	<u>5,756,097</u>
Expenses		
Development and mining	2,149,961	1,834,639
Milling	973,824	712,313
Mine management, office and general property expenses	546,846	438,436
Ontario mining tax	153,000	99,000
Head office administrative and general expenses	229,627	203,916
Interest expense	<u>4,286</u>	<u>12,195</u>
	4,057,544	3,300,499
Operating income before depreciation and amortization	<u>2,540,919</u>	<u>2,455,598</u>
Deduct		
Depreciation (note 5)	576,327	457,680
Amortization of shaft sinking and development expenditures (note 5)	<u>322,083</u>	<u>218,230</u>
	898,410	675,910
Operating income — mining	<u>1,642,509</u>	<u>1,779,688</u>
Other Income		
Income from custom milling after expenses which include depreciation of \$53,018		665,749
Income (loss) from operation of refinery, after expenses which include depreciation of \$114,118 (1966 — \$110,195)	<u>2,718</u>	<u>(207,565)</u>
	2,718	458,184
Investment Income		
Dividends from Dickenson Mines Limited	47,101	70,351
Other dividends, interest, and royalties	23,100	16,394
Profit (loss) on sale of shares	<u>39,836</u>	<u>(4,456)</u>
	110,037	82,289
Outside exploration expenditures written off	<u>1,755,264</u>	<u>2,320,161</u>
	1,378	4,790
Income before income taxes	1,753,886	2,315,371
Income taxes (note 6)	<u>540,000</u>	<u>350,000</u>
NET INCOME for the year	<u>\$1,213,886</u>	<u>\$1,965,371</u>

KAM-KOTIA MINES LIMITED

and its consolidated subsidiary companies

Consolidated Statement of Retained Earnings

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Balance at beginning of year	\$5,089,496	\$3,548,875
Net income for the year	1,213,886	1,965,371
	<hr/>	<hr/>
	6,303,382	5,514,246
Deduct dividends — 20¢ per share (1966 — 10¢ per share)	849,500	424,750
	<hr/>	<hr/>
Balance at end of year	<u>\$5,453,882</u>	<u>\$5,089,496</u>

Operation of Refinery

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Sales of metals and products	\$6,132,335	\$5,332,942
Cost of Sales		
Inventory at beginning of year	\$1,671,216	1,473,724
Purchases of concentrates and metallics	5,796,888	4,918,780
Direct costs of processing and refining	366,048	501,163
	<hr/>	<hr/>
	7,834,152	6,893,667
Less inventory at end of year	2,022,436	1,671,216
	<hr/>	<hr/>
	5,811,716	5,222,451
	<hr/>	<hr/>
	320,619	110,491
Expenses		
Refinery management, office and general expenses	94,373	99,119
Head office administrative and general expenses	10,291	15,455
Shipping and marketing expenses	75,923	53,945
Interest expense	23,196	39,342
	<hr/>	<hr/>
	203,783	207,861
	<hr/>	<hr/>
Operating income (loss) before depreciation	116,836	(97,370)
Depreciation	114,118	110,195
	<hr/>	<hr/>
Income (loss) for the year	<u>\$ 2,718</u>	<u>\$ (207,565)</u>

KAM-KOTIA MINES LIMITED

and its consolidated subsidiary companies

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1967

(with comparative figures for 1966)

Source of Funds	1967	1966
Net income for the year	\$1,213,886	\$1,965,371
Depreciation and amortization not requiring current outlay	1,012,528	839,123
	<u>2,226,414</u>	<u>2,804,494</u>
Application of Funds		
Additions to buildings, machinery and equipment	849,729	562,193
Shaft sinking and development expenditures	17,293	455,018
Investment in shares of and advances to other companies (net)	434,422	303,175
Deposit for power line construction costs		116,295
Special refundable tax	9,299	83,000
Dividends	849,500	424,750
Other applications (net)	30,436	16,596
	<u>2,190,679</u>	<u>1,961,027</u>
Increase in working capital	35,735	843,467
Working capital at beginning of year	1,798,467	955,000
Working capital at end of year	<u>\$1,834,202</u>	<u>\$1,798,467</u>

KAM-KOTIA MINES LIMITED

and its consolidated subsidiary companies

Notes to Consolidated Financial Statements

December 31, 1967

1. SUBSIDIARY COMPANIES

The consolidated financial statements include the accounts of the wholly owned subsidiary companies, Deebank Limited and Cobalt Refinery Limited.

The non-consolidated subsidiary companies have been excluded from the consolidation as they are dormant or are developing their properties and their expenditures since acquisition of control have been deferred to future operations, except for certain write-offs, security profits and custom milling losses, carried direct to deficit. The proportion of the net amount so charged to deficit attributable to the shares held by Kam-Kotia Mines Limited in such subsidiary companies for their fiscal years ended in 1967 amounts to \$17,000 (1966 — \$62,611) and for the period since acquisition of the shares amounts to \$364,006 which is substantially less than the amounts written off in respect of the investment in such subsidiary companies.

2. METAL PRICES

In computing the net realizable value of metal settlements outstanding, concentrates on hand and products in process at December 31, 1967

- (a) copper has been valued at 51.65¢ per pound less treatment charges of 7.90¢ per pound and
- (b) silver and other products in process have been valued at net selling prices, less costs to finish the products in process.

3. SECURITY FOR BANK LOAN

The bank loan is secured by 465,009 shares of Dickenson Mines Limited and metal settlements outstanding, concentrates on hand and products in process.

4. CAPITAL STOCK

Options to purchase 42,500 shares of the company's capital stock were granted to employees at \$3.00 per share expiring on December 27, 1968.

5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization have been recorded on the straight line method at annual rates as follows:

Kam-Kotia Property	
Buildings, machinery and equipment	15%
Shaft sinking and underground development expenditures	25% and 33⅓%
Refinery	
Buildings, machinery and equipment	10%

6. INCOME TAXES

In 1967 and 1966 deductions for income tax purposes for depreciation and amortization exceed the amounts provided in the accounts. As a result 1967 income taxes are reduced by \$25,000 (1966 \$430,000). In years prior to 1965 depreciation and amortization provided in the accounts exceeded the claims for income tax purposes.

For all fiscal periods to December 31, 1967, the total of such deductions for income tax purposes exceeds the total of the provisions in the accounts by \$695,000; the tax reductions applicable thereto amount to \$245,000.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of the company's directors and senior officers (including the five highest paid employees as required by the Ontario Corporations Act) amounted to \$81,370 in 1967 and \$76,553 in 1966.

KAM-KOTIA MINES LIMITED

and its consolidated subsidiary companies

Interest in Non-Consolidated Subsidiary Companies

December 31, 1967

Shares:

1,040,000	Camarillo Oils Ltd. (including 300,000 shares in escrow).
1,613,468	Carnegie Mining Corporation Ltd.
1,141,322	Glencair Mining Co. Ltd. (including 420,000 shares in escrow).
640,000	Kamisfair Mines Ltd. (including 576,000 shares in escrow).
680,710	Lithia Mines & Chemicals Ltd. (including 337,500 shares in escrow).
1,180,000	Lone Bachelor Mines Ltd. (including 675,000 shares in escrow).

Listed and Other Shares

December 31, 1967

Shares:

586,250	Abino Gold Mines Ltd. (including 5,000 shares in escrow).
704,417	Consolidated Golden Arrow Mines Ltd. (including 45,000 shares in escrow).
471,009	Dickenson Mines Ltd. (see balance sheet).
330,000	Gateway Uranium Mines Ltd. (including 202,298 shares in escrow).
604,000	Inore Gold Mines Ltd.
680,000	Jameland Mines Ltd. (see balance sheet).
174,000	Nickel Rim Mines Ltd.
162,500	Northwest Canalask Nickel Mines Ltd. (including 112,500 shares in escrow).
973,549	Pleno Mines Ltd.
666,881	Silmonac Mines Ltd. (including 583,331 shares in escrow).
1,086,460	United Macfie Mines Ltd. (including 77,780 shares in escrow).

KAM-KOTIA MINES LIMITED

SUMMARY (in thousands of dollars)

	1967	1966	1965	1964	1963	1962	1961
Metal recoveries	9,159	7,769	6,969	5,009	3,998	3,718	1,614
Depreciation and amortization	898	676	646	791	583	474	235
Income before income taxes	1,754	2,315	765	247	804	803	76
Income taxes	540	350	—	—	—	—	—
NET INCOME	1,214	1,965	765	247	804	803	76
Income per share	.29	.46	.18	.07	.22	.22	.02
Dividends paid per share	.20	.10	—	—	—	—	—
Shares issued at year-end	4,247,500	4,247,500	4,247,500	3,723,000	3,697,900	3,659,855	3,459,855
Production —							
Tons (thousands)	680	465	598	639	400	377	235
Grade of copper	1.36%	1.67%	1.56%	1.26%	2.00%	1.95%	1.59%
Pounds of copper (thousands)	14,850	12,707	15,338	13,692	12,868	12,036	5,732
Grade of zinc	1.78%	1.965%	1.39%	1.74%	—	—	—
Pounds of zinc (thousands)	11,377	8,734	5,840	2,523	—	—	—
Net working capital (or deficit) at year-end	1,834	1,798	955	(1,300)	(1,619)	(590)	(765)

KAM-KOTIA MINES LIMITED



General Manager's Report

The President and Directors
Kam-Kotia Mines Limited
Suite 416
25 Adelaide St. West
Toronto 1, Ont.

Gentlemen:

Our report covering operations of the Timmins area mine for the year ending December 31st, 1967 is submitted hereunder.

PRODUCTION AND MILLING

Milling was carried out continuously through the year at maximum capacity. Operating time was 97.3% of available time with balance being spent on maintenance and repairs. Daily treatment rate averaged 1,862 tons per day. About 85% of mill feed was supplied from underground operations with the balance, 103,831 tons being supplied from the low grade surface stockpile which was built up when the surface pit was operated. Mill heads were reasonably steady for copper, and zinc heads climbed to 2.0% and higher late in the year. The operation of the zinc circuit provided poor recoveries and poor concentrate grade although both recovery and product grade increased with higher heads late in the year.

There were no major changes made in the mill circuit during the year. Test work and studies were completed on the effect of finer grinding on recovery, and, the requirements to increase capacity. As a result, two — 12 x 14 ft. mills, driven by 1,250 H.P. motors were ordered to replace the secondary grind-



G. W. WALKEY

ing mills, and these should be installed during the summer of 1968. A 5½ ft. Symons standard cone crusher was received and will be installed early in 1968.

PRODUCTION DATA

	1967	Cumulative Production
Dry Tons Milled	679,677	3,403,024
Average Tons per Day	1,862.0	1,449.0
Mill Heads % Copper	1.36	1.570
Copper Concentrate, Dry Tons	40,765.3	229,575.3
Copper Concentrate Grade %	19.21	19.77
Pounds Returnable Copper	14,849,538	87,359,563
Copper Recovery %	84.9	85.54
Smelter Settlements Outstanding at Dec 31, 1967 —		
Pounds Copper	5,024,905.7	

1964-1967 Only

Dry Tons Milled	675,697	1,818,934
Zinc Mill Heads %	1.764	1.643
Zinc Concentrate Tons	13,809.94	35,748.24
Zinc Concentrate Grade %	48.60	48.70
Zinc Recovery %	56.40	58.40
Ounces of Gold Paid For	809.9	2,299.6
Ounces of Silver Paid For	77,880	294,666

MILLING DATA

Grinding Steel Consumption

Balls	2.26 lb/ton
Rods	0.96 lb/ton
TOTAL	3.22 lb/ton, down from 3.57 lb/ton 1966

Reagent Consumption

	Lb/Ton Milled
Hydrated Lime	4.490
Zanthates	0.324
Sodium Cyanide	0.038
Frothers	0.162
Zinc Sulphate	0.633
Copper Sulphate	0.462
Total Cost per Ton	31.85 cents

MINING OPERATIONS

Underground operations supplied 575,846 tons of mill feed with the balance of 103,831 tons coming from surface stockpiles. This reduced surface stockpiles to the following:

Zinc Ore	17,772 tons at 3.30% Zn
Copper Ore	87,340 tons at 0.77% Cu
Crusher Stockpile	84,012 tons at 1.25% Cu

UNDERGROUND PRODUCTION

Total tonnage hoisted was 633,922 tons, consisting of 575,846 tons of ore and 58,076 tons of waste. Stopping blocks above the 5th level provided about 500,000 tons while lateral development and stope preparation of blocks below the 5th level provided the balance or about 76,000 tons. By the end of October Mine production was in balance with mill capacity. Until the end of October, mine capacity was limited by the following — hoisting capacity, number of producing stope blocks, and the heavy demands of development necessary to put the blocks below the 5th level in production. In 1968, over 50% of production will come from below the 5th level, although a few small zones remain to be developed above the 5th level. Broken and drilled-off tonnage at the end of 1967 was 139,000 tons.

DEVELOPMENT

Development expense was the heaviest since 1964, with the bulk of the work concentrated on the levels below the 5th, plus the excavation for an underground jaw crusher which was completed. Ore and waste pass raises were driven to connect the No. 2 loading pocket with the crusher, and connect the crusher station via each level through to the existing pass system at the 5th level.

Ore and waste tippie dumps were established on the 6, 7, 8, and 9 levels by the middle of the year, and, the jaw crusher placed in operation at the end of July.

An ore pass was driven from the 2nd level through to surface to allow surface stockpile ores and ultimately Jameland ore, to be passed underground for crushing and storage. A raise for ventilation was driven to surface from the top of the 200-B8 stope and the propane heater installed to heat the air supply.

Lateral development was concentrated on the 6, 7, 8, and 9 levels until late in the year to provide access to the B-4 and B-5, and C-9 zones to allow stope development to proceed. Only minor development was carried out on the 5th level and above. In October, exploration drifts to the west were started on the 7 and 9 levels, and are continuing.

Stope development of the new blocks was carried out as rapidly as possible, and some blast hole muck was available in December. This supply will increase rapidly in the new year.

Total development footage, drifting and x-cutting was 10,520.0 ft. distributed as follows:

#1 Level	192.0
#2 "	210.0
#3 "	28.0
#4 "	30.0
#5 "	246.0
#6 "	2,660.0
#7 "	3,405.0
#8 "	1,287.0
#9 "	2,220.0
Crusher Station	242.0

Total raise footage was 5,221.0 ft. for ore and waste passes and stope development.

MINE HOISTING AND UNDERGROUND CRUSHING

As reported in 1966, the 12 ft. by 84 inch 2100 H.P. D.C. drive hoist purchased in 1966 was installed and placed in operation in November. The changeover involved replacing the existing sheave wheels with 12 ft. wheels, and replacing the 80 cu. ft. skips with 140 cu. ft. skips. To provide power for this hoist and the proposed new grinding mills, a 115 K.V. line was built and a 7500 K.W. substation provided to receive this power and convert to 27.6 K.V. for mine distribution. This station was placed in service in September. In order to reduce operating costs and allow full hoist capacity to be used, a 36 x 48 inch jaw crusher was installed below the 9th level and placed in service in July. Both these machines have operated without problems and have made a major improvement to the mine's rock handling facilities and capacity. The ore storage capacity of the mine was greatly increased by providing storage capacity below the crusher and above No. 2 loading pocket.

EXPLORATION

Total underground diamond drilling was 81,421 ft. Of this amount, 55,219 ft. were for primary and detail exploration and 26,202 ft. were definition type drilling to establish stoping layouts and assist in grade control.

A limited amount of diamond drill exploration in new areas was carried out in 1967 and primary exploration below the 5th level was only started in November. On the 5th level and above, exploration was carried out from drill bases on the 2, 3, 4, and 5 levels, west of known ore bodies, and this work located several relatively small ore zones. A large amount of exploration is still required on the 5th level, west of the N/S striking basic dike. As the new levels were established and x-cutting completed, drifts were driven to the west to provide access to the ore bodies and, most of the drilling done on the 6, 7, 8 and 9 levels, until November, was to provide ore information for stope layout and to define ore limits. The ore potential in the block lying due west of the shaft is substantially greater than drilling from the 5th level indicated.

The 704 drift was extended west of known ore for about 700 ft. and stopped short of the main N/S dike. Drilling from this drift has been underway for a month or more and is continuing. On the 9th level, the 904 drift has been established as a drill base in the H.W. of the favourable zone and has been advanced about 500 ft. west of shaft x-cut. This drift is so sited as to allow drilling to a depth of about 600 ft. below the 9th level and drilling is now underway. A drill base to explore east of the shaft on the 8th or 9th level will be established in 1968 by drifting.

PLENO EXPLORATION

A total footage of 1,338 ft. was drilled from the 307 drift on Pleno early in the year and results were negative. Further exploration on Pleno was deferred until the Jameland program has been completed and can be evaluated.

JAMELAND MINES

The drill program started during 1966 was continued through 1967, and 69 holes

were completed for a total footage of 50,683 ft. Drilling is continuing. This drilling indicated 12 ore lenses, many of which may prove to be contiguous, and, ore reserves, as estimated by Kam-Kotia staff, based on drill results are as follows:

Probable ore — 450,000 tons grading 1.97% copper

Indicated and Possible — 300,000 tons grading 1.30% copper.

These reserves also contain recoverable amounts of zinc, gold and silver but the disposition is too erratic to allot a grade to the above reserves. Underground development should add to the above tonnage in the areas tested.

Late in the year preparations for underground development were started, and, a shaft site selected, cleared, ditched, drained, and stripped for shaft collaring and plant installation. The shaft was collared in rock, and will be concreted early in the New Year. Mining plant design is well advanced and much of the equipment is already on the site. Kam-Kotia's 10 ft. Nordberg hoist has been purchased and has been dismantled and moved to the shaft site. It is proposed to sink the shaft using permanent mining plant and shaft sinking should start about the middle of 1968.

TESLUK GROUP

This is a group of 16 claims, located due north of Pleno and east of the company's main group of claims, in Jamieson Township, and all the claims are unpatented. The claims were acquired by purchase in 1967, and 994 ft. of diamond drilling was completed to keep the claims in good standing until the end of 1968. The drill footage involved two drill holes and results were negative.

ORE RESERVES

Ore Reserves at December 31st, 1967, including dilution factor, are as follows:

Positive and Broken Ore

- 1) 2,100,000 tons grading 1.38% copper and 4.00% Zinc.

- 2) 150,000 tons grading 1.0% Copper and 1.90% Zinc (stockpiles on surface).
- 3) 480,000 tons grading 0.36% Copper and 4.60% Zinc.

Probable Ore

100,000 tons grading 1.50% Copper and 1.60% Zinc.

Possible Ore (Drill indicated only)

650,000 tons grading 1.50% Copper and 2.51% Zinc.

Total all categories as above—3,480,000 tons.

CAPITAL EXPENDITURES

Buildings

1. A 36 ft. by 105 ft. by 50 ft. high, concrete block and steel frame building was erected to house the 12 ft. diameter mine hoist.
2. A 26 ft. x 26 ft. concrete block addition to house 500 H.P. compressor was added to the power house.
3. A steel plate shell was built to house 2.5 million B.T.U. propane heater for heating mine air.
4. The 10 ft. Nordberg hoist was removed from hoist building to allow this structure to be converted to a general service building.

EQUIPMENT

- 1 — 12 ft. x 84 inch 2100 H.P. mine hoist installed and placed in operation. This replaces the 10 ft. Nordberg hoist.
- 1 — 36 x 48 inch Traylor jaw crusher installed U.G., complete with pan feeder, and Dracco dust collector.
- 1 — 7500 K.W. 115 K.V. to 27.6 K.V. substation installed and in operation.
- 1 — 2000 K.W. 27.6-2.3 K.V. substation installed and in operation.
- 1 — 500 H.P. high pressure C.I.R. — XVHE compressor installed and in operation.
- 1 — 1967 ½ ton pick-up truck.
- 2 — 12 ft. diameter sheave wheels.
- 2 — 140 cu. ft. capacity skips.
- 1 — 4.5 ton Clayton battery locomotive.
- 3 — 1.5 ton Atlas battery locomotives.

10 — 30 H.P. 3 drum slusher hoists.

2 — Model 21 Eimco loaders.

In addition, two 12 x 14 ft. A/C ball mills were ordered for delivery in early 1968, plus two 1250 H.P. motors and motor controllers.

The total cost of buildings and equipment, including prepayment for the ball mills was about \$900,000. Development costs for drifting, x-cutting, raising for ore passes was \$379,300, and underground diamond drilling costs were \$138,600.

PERSONNEL RELATIONS AND LABOUR FORCE

Total Force was as follows:

	December 31, 1967	December 31, 1966
Staff -----	50	46
Crew -----	275	222
Total -----	325	266

The increase in labour force of 59 was almost all for mine force (47) and was necessary to provide the additional mine production and carry out the major development program. No major reduction in labour force is likely for 1968.

Turnover was very high in the mine department and mine production was affected until early Fall when the labour situation improved.

A new contract was negotiated with The Union representing the company's employees, effective January 1, 1968, for a term of two years. The contract provides wage increases, improved benefits, a mandatory contributory pension plan and other minor changes.

ACKNOWLEDGMENT

I again record my appreciation of the staff and crew, who continue to do their jobs well, sometimes under difficult conditions.

The consideration, understanding, and support of the President and Directors during the past year is gratefully acknowledged.

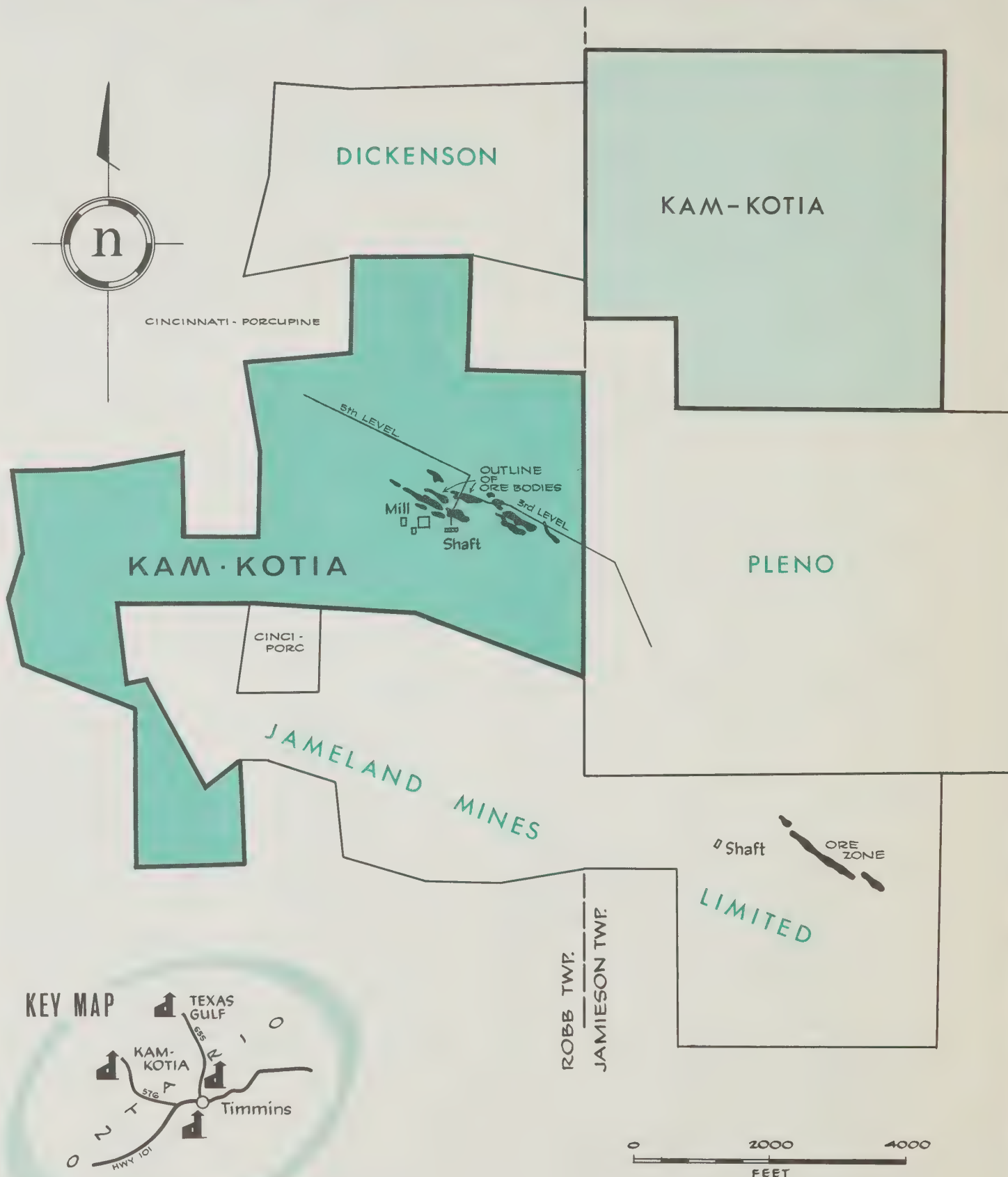
Respectfully submitted

G. W. WALKEY,
February 20, 1968 General Manager.

Location Map

KAM-KOTIA MINES LIMITED

KAMISKOTIA - TIMMINS MINING AREA, ONTARIO.





AR10

Electric Power Commission have completed their new line for additional power requirements and your company is awaiting additional sub-station equipment to tie into this new line which will supply all the power requirements of both the Kam-Kotia and Jameland properties.

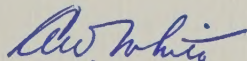
Kam-Kotia owns a substantial interest in Jameland Mines Limited. This asset becomes increasingly important as ore is being developed on the Jameland property.

Constant studies are being made of the Cobalt Refinery Division operations. Improvements have been made and losses are being reduced. It is anticipated that this division will be profitable before the end of 1967.

DICKENSON MINES LIMITED.

For your information a copy of the second quarter report of Dickenson Mines Limited for 1967 is enclosed.

Respectfully submitted.



President.

Toronto, Ontario.
August 16, 1967.

Full

KAM-KOTIA MINES Limited



Second Quarter Report 1967

To the Shareholders:

Operating data for the second quarter of 1967 (compared with the second quarter of 1966) are presented below. Due to corporate changes made during 1966 which affected Violamac Mines Limited, Kam-Kotia Porcupine Mines Limited, Cobalt Refinery Limited, and Kam-Kotia Mines Limited, a statement of source and application of funds on a comparative basis would not be meaningful, therefore is not presented.

CONSOLIDATED STATEMENT OF INCOME

For the 6 Months Ended June 30

	January 1 to June 30	
	1967	1966
INCOME		
Metal recoveries	\$4,464,000	\$3,604,000
Less: Transportation and treatment	1,251,000	925,000
	<u>\$3,213,000</u>	<u>\$2,679,000</u>
EXPENSES, including develop- ment, mining, milling, mining taxes, interest and administration	1,869,000	1,583,000
	<u>\$1,344,000</u>	<u>\$1,096,000</u>
Income from custom milling	—	390,000
	<u>\$1,344,000</u>	<u>\$1,486,000</u>
Depreciation and amortization of shaft sinking	406,000	321,000
	<u>\$ 938,000</u>	<u>\$1,165,000</u>
Profit on sale of securities	68,000	—
	<u>\$1,006,000</u>	<u>\$1,165,000</u>
Loss on operation of Cobalt Refinery (including depreciation, 1967 — \$55,000, 1966 — \$45,000)	\$ 23,000	\$ 94,000
Taxes on income	293,000	—
	<u>\$ 316,000</u>	<u>\$ 94,000</u>
NET INCOME	\$ 690,000	\$1,071,000
Net income per share	16.2¢	25.2¢

January 1 to June 30

1967 1966

OPERATING DATA

Tons milled	337,447	216,052
Grade of copper milled	1.39%	1.80%
Pounds of Copper	7,648,270	6,411,927
Grade of zinc milled	1.65%	1.88%
Pounds of zinc	5,256,767	3,540,850

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1967

Source of Funds

Net profit from operations	\$ 690,000	
Add: Charges to operations not requiring outlay of funds:		
Provision for depreciation	\$ 337,000	
Amortization of preproduction expenditures ..	124,000	461,000
	<u></u>	<u>\$1,151,000</u>
Decrease in:		
Stores and supplies		14,000
		<u>\$1,165,000</u>

Application of Funds

Dividends	\$ 425,000	
Fixed asset additions (net)	253,000	
Outside exploration expenditures	5,000	
Shaft sinking expenditures	24,000	
Loan to Dickenson Mines Limited	300,000	
Increase in:		
Investments and advances ..	37,000	
Prepaid expenses and deposits	34,000	
Special refundable tax	2,000	1,080,000
	<u></u>	<u>\$ 85,000</u>
Increase in Working Capital		<u>\$ 85,000</u>

Kam-Kotia is developing ore on its 6th, 7th, 8th, and 9th levels. Ore reserves are being maintained.

An underground crusher has been installed and a new hoist is presently being installed. The Ontario Hydro